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THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Vladimir Putin of the Russian Federation (U)

PARTICIPANTS: The President
Colin Powell, Secretary of State
Condoleezza Rice, Assistant to the President
for National Security Affairs
Daniel Fried, Special Assistant to the President and Senior Director for European and Eurasian Affairs
Peter Afanasenko, Interpreter

Vladimir Putin, President of the Russian Federation
Igor Ivanov, Minister for Foreign Affairs of the Russian Federation
Igor Neverov, Director for North American Affairs, Ministry of Foreign Affairs
Sergey Prikhodko, Deputy Head of the Presidential Administration
Valeriy Zaitsev, Interpreter

DATE, TIME May 31, 2003, 8:45 - 9:35 a.m.
AND PLACE: Konstantov Palace, St. Petersburg

President Putin: First, I'm very glad that you're here. I watched your interview, and appreciate your kind words. I appreciate your whole approach to world issues; in that interview, your views were right on target. (C)

The President: First, thank you. I appreciated your letter of May 16, 2003. Second, I understand that the Iraq issue was difficult for you and that you had serious disagreements with the decision that I made. I understand that. The key is to move on. We should use that experience to strengthen our relations. I'm the most disturbed at the behavior of France and Germany. They tried to divide Europe from the United States. I

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appreciate how you handled your decision. Other countries stirred up anti-American feeling. You didn't. You expressed your opposition, but did not stir up anti-Americanism. So, let's move on. ~~(S)~~

President Putin: I agree with this way of expressing the issue. As for Europe, we can't influence them. But it is true that the good relations between us do have an influence on them. I felt it yesterday. I'm always being asked about my relations with Bush. I say that we have differences, and the Iraq issue was important. But more important is how relations will develop further. I say that Bush has said that our relations should be that of partnership. In partnership, we take account of the views of the other. ~~(S)~~

The President: Absolutely. ~~(S)~~

President Putin: I said so to Condi and to the Secretary of State, and I'm telling you more. That's the first thing. The second thing is that being friends means being able to talk frankly to each other. Russia cannot have decisions made elsewhere. ~~(S)~~

The President: I understand. ~~(S)~~

President Putin: Maybe Denmark and Poland can function that way, but not Russia. Our history has known a number of rulers who followed such a course, and such leaders were hanged, or loaded into cannons and shot into the air. What is most important is a systemic approach to problems. This was what I was saying yesterday, and I repeated again and again that our friendship with Bush is very good and that I appreciated that. Second, I said yesterday that the United States is the major power in the world, and we should not confront it, but should engage with it. For us in Russia, even apart from the economy, nobody can replace the United States as a factor in the balance of power in Asia. The role of the United States is important in Europe as well. I told that to them and I am saying this to you. ~~(S)~~

The President: Thank you. (U)

President Putin: We do not forget the source of two world wars. The situation now is different, but we have to confront the new threats systemically. Nonproliferation is a major 21st Century threat, as are terrorism and fundamentalism. In its history,

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(the United States has had no more steadfast champion in the fight against terrorism and fundamentalism than you, Mr. President. Yesterday at dinner, I said publicly, so that it could be heard, that I was glad to welcome you as a friend. ~~(S)~~

The President: Thank you. I noticed that. ~~(S)~~

President Putin: I did not say that there are no differences. We have discussed Iraq many times. In principle, our objectives in Iraq were the same. Unfortunately, we differed in the ways to achieve this. ~~(S)~~

The President: That's right. ~~(S)~~

President Putin: We have discussed Iraq before. My security ministries kept asking me why the United States was so aggressive, when we could have achieved the same results by other means. But maybe what happened is not so bad after all. ~~(S)~~

(I'm worried about the growth of Iranian influence, and I discussed this with Tony. He said that the Shiites of Iraq were not the same as those of Iran. ~~(S)~~

The President: That's right. ~~(S)~~

President Putin: In principle, the agreement on the U.N. Resolution, thanks to these two gentlemen, seems quite acceptable. What is important for us is not the preservation of the Oil for Food program, but our economic relations with Iraq generally, and the possibility for our companies to participate in future work and projects in that country. This wasn't put down on paper in the resolution, but it would be good if we have agreed among ourselves here that the important thing is to instruct our economic ministries to do the necessary and not to force out our firms. ~~(S)~~

The President: I've heard that you were concerned about reports of nullifying an energy contract, a Gasprom contract. It wasn't true. The press will try to create tension, but Russian firms will be considered, under economic terms. There is no plot to freeze Russia firms out of Iraq. ~~(S)~~

(President Putin: That's wonderful. I hope firms may come to agreements. ~~(S)~~

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(The President: Retaliation is not a word in my vocabulary. In my statement at our press appearance, I want to announce that you are coming over in September. People who are retaliating are not going to extend an invitation. You ought to come to Camp David. You haven't been there before. We should do that. It would be good. What is Igor saying? Speak up so we can all hear. (S)

Foreign Minister Ivanov: I said that we can discuss this at the press conference. (S)

The President: Is that okay with you? (S)

President Putin: Yes. (U)

The President: Let's set "retaliation" aside. (S)

President Putin: So, for us the crucial issue is not Oil for Food. We don't care about that. This isn't such a good program. It benefits crooks, and I don't know whether the Russian economy gets anything from it. (S)

(The President: I want to thank you for a couple of things. First, there has been progress on the war on terrorism and we have worked together. The Pankisi Gorge has become a good example of our cooperation. (S)

President Putin: We got a guy from there who was involved in the Moscow explosions. (S)

The President: That's good, and it shows what's possible when we hunt together. We get them. (S)

We've talked about Chechnya. It's good that you are making progress in a political process. This is what you said you would do. (S)

It's good also that you told Colin that you would not help Iran's nuclear program. Iran is harboring al-Qaida killers. We believe some have been arrested. If so, they should hand them over to their country of origin. (S)

Third, about your favorite country of Saudi Arabia, we are making progress with them. (S)

(President Putin: We see that. (S)

(The President: The royal family is divided. The Crown Prince is taking over the operation against terrorists. The security service was penetrated by al-Qaida sympathizers, and we're getting rid of them. Saudi Arabia is still a dangerous place. There is still a lot of money going out of Saudi Arabia to fundamentalist groups. You were right about that. Our best hope is to support the Crown Prince, who has the best chance to work on the problem. We should keep in touch about this. I share your concerns about them. You have been more passionate about them than I have, but I'm coming around to your passion.

(S)

President Putin: Sixteen of the nineteen September 11 hijackers were from Saudi Arabia. (S)

The President: You're right. (S)

Relations between us should be more than fait accompli. I'm using a French phrase here. So we have set up a strategic dialogue process, and it could be very useful. We should make sure it goes forward. If you see that it is not moving with the proper energy, or that you are not comfortable with the process, let me know. (S)

President Putin: What group? (S)

The President: The strategic dialogue group. (S)

President Putin: Right. (S)

The President: I want you to be comfortable with it. If not, let me know. (S)

President Putin: Let us not forget about terrorism. This, like other issues, must be a two-way street. The CIA may help us catch 2-3 bad guys. The key guys we want are Udugov and Yandarbayev. One of them is in Qatar, and we know where he is. If Powell could put pressure on them to extradite, it would be good. (S)

The President: Do we have the names? (S)

National Security Advisor Rice: Yes. (S)

(The President: About North Korea, if Russia, Japan, China, and South Korea as well as the United States send the same message to the North about not developing nuclear weapons, they won't.

If Kim tests or launches a weapon in a test, I won't react publicly, but I'll call China and ask why they aren't doing something about this. Jiang told me that he had no influence over North Korea. (S)

President Putin: He said the same to me. (S)

The President: I said what about all your food aid? My attitude toward Kim is that he throws fits and tries to frighten people, especially the South. But he won't frighten us. We'll ignore him and say that if you change your behavior, we'll help your economy. When China finally decides to do something as a respectable citizen, we will make progress. This is a key to keep Japan from developing nuclear weapons. That would make China nervous. It would make all of us a little nervous. (S)

President Putin: There is no sense to that. (S)

The President: Right, but that would be the effect of North Korea developing nuclear weapons. We must stop from the North from moving plutonium around. Some people believe it has no capability, but we believe that because of Pakistani technology, there is a chance that they have two weapons. We don't know, however. (S)

President Putin: Kim told me that he told Clinton that he had nuclear weapons, and he said that America was aware but kept silent. Now, Kim said, America is going public with this information to pressure me. (S)

The President: That's interesting. But he signed an agreement with Clinton that he had no nuclear weapons. (S)

President Putin: Clinton told me that Kim just alluded to something going on. Kim explained that he had told Clinton that he was prepared to discontinue further production of nuclear weapons and put them in a stockpile, if America provided fuel oil. But now that America has cut off those supplies, Kim says, North Korea must develop its weapons. (S)

Our approach is the same as yours. We are against North Korea developing a nuclear capability. Three days ago, Hu visited us in Moscow and then came to St. Petersburg for this anniversary. He left last night. Hu said that Korea has told them that they have nuclear weapons but Hu said he did not believe that. We in Russia have no information about North Korean nuclear weapons but cannot exclude this. China says this is all a provocation

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by the North: I'm not sure; I don't know. But we are very concerned. They are trying to scare South Korea. They have no modern delivery means for nuclear weapons but can frighten South Korea and attack Seoul. (S)

The President: Especially Seoul. (S)

President Putin: This is a very dangerous situation. We must tread carefully. You have presented us with a strategy. I think it is the right strategy, but you have not told us everything. (S)

The President: Yes, we have. (S)

President Putin: Then there is not enough in your plan. We can't just watch this develop. (S)

The President: I see what you mean. (S)

President Putin: We need proactive approach. (S)

The President: That's right. Our experts need to talk. There could be an effort on this. The military option is lousy. (S)

President Putin: We're against a military option. There are too many variables. (S)

The President: I said it was a lousy option. (S)

President Putin: The population there is dense. (S)

The President: Let me jump to some issues before we have to go to the press conference. First, I hate to bring this up and tell you the same thing. I do intend to remove Russia from Jackson-Vanik, I promise you. The problem is that some in the Congress are using this issue to create tensions over agriculture matters. We have to work on tariffs and agricultural issues. I'll try again on Jackson-Vanik and will say so publicly if you want. I don't want to say it and have people react that I say it but don't do it. But if I don't say it, they'll criticize me for not even mentioning it. (S)

President Putin: That's okay, but before we turn to chickens, we have to continue with some difficult problems. (S)

About Iran, we do not want Iran to develop nuclear weapons. They're crazy. It would be unacceptable, inadmissible. First,

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they would use these weapons to destroy Israel. They'll do it. We cannot accept this. Israel is important to us; it is an important element of stability in the Middle East. They will attack Israel and then you. So, this is very sensitive. El Baradei has said that they have technology to produce nuclear weapons. This technology came from UK and Dutch firms. He said he saw equipment from other European firms and even U.S. firms as well. Your propagandists are criticizing Russia and Russian firms for this, but this puts the focus wrong. We should face the real threats and be clear about this. This requires our personal oversight. Neither Blair, nor the Queen of the Netherlands, nor you knew about these transfers. But firms do these things. Perhaps even some of ours. Money goes a long way. Our services should stop distrusting each other and cooperate on these issues. (S)

The President: We need to get the IAEA to convince Iran to abandon this program, or else Israel will go in and blow it up, and you and I will be on the phone trying to stop a war in the Middle East. (S)

President Putin: We have leverage, and I told Colin Powell that we won't supply nuclear fuel until all their programs are under IAEA control. We have told Iran. (S)

The President: Thank you. (S)

President Putin: There shouldn't be leverage against us. We can't have our firms pressed out by the British, Danes, and Dutch. (S)

Now, about chickens and Jackson-Vanik, for the last 4 years, the quantity of chickens from the United States to Russia has grown six times. (S)

The President: I'm aware of that. (S)

President Putin: In the American market, the share of imported beef is 15 percent; the rest is domestically produced. (S)

The President: We've got a lot of cows. (U)

President Putin: If we don't restrict imports, we'll never have a lot of cows. In our market, the market share domestically produced chicken has dropped from 77 percent to 45 percent. We established quotas for agricultural products, with 70 percent of

(the quota for the United States, and the remaining 30 percent to Europe and other places. (S)

The President: We have to work through this. Some may see this punitive. But I just am giving you a heads up. This is not about leverage. (S)

President Putin: Our experts are not fools. Let them talk and come to an agreement. I sent Gordeyev to the United States. He knows everything. Of course we need a solution. But U.S. domestic standards are high, and your chicken exports are not under the same controls. (S)

The President: I don't think that's so. (S)

National Security Advisor Rice: We'll check, but I don't think there is a difference. (S)

President Putin: What we eat must be the same, of the same quality. (S)

(The President: Yes, the same. Our laws don't allow double standards. (S)

President Putin: I assure you that this is right. (S)

The President: We'll check, but it isn't true. (S)

President Putin: Let our experts talk. If we stop imports, prices will rise, which will help our producers. (S)

The President: They want us to do the press conference now, but I want to say that we are making good progress on the energy front. There are significant mergers being planned. Congratulations on this. (S)

(President Putin: I have a question. BP, British Petroleum, bought 50 percent of one of our major firms for \$6.5 billion. There is another major Russian energy company negotiating with a U.S. firm. We'll support this. Let them work this out. But there is one key element: our pipelines are state owned and will remain so for some years to come. This is because we need to maintain control of oil going to our domestic market. The prices of oil domestically in Russia are still lower than world prices, and if we don't maintain controls on exports and transport of oil, all the oil will be exported, which will

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(damage our agricultural interests at harvest times. Our economy would collapse. ~~(S)~~

The President: What's the date for our September Summit? (U)

National Security Advisor Rice: September 26-27. (U)

The President: That's the weekend. It would be good. It will be after the UNGA. (U)

Let's go to the press conference. (U)

-- End of Conversation --

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